# GOVERNMENT OF INDIA
# STEEL
# LOK SABHA

STARRED QUESTION NO:118
ANSWERED ON:26.11.2001
LOSSES INCURRED BY SAIL
AJAY SINGH CHAUTALA;YEMPARALA VENKATESWARA RAO

**Will the Minister of STEEL be pleased to state:**

(a) whether the Steel Authority of India Limited(SAIL) has reported a 35.58% increase in net loss in the first half of the current fiscal year as compared to the corresponding period of the last year;

(b) if so, the reasons for such losses despite a big package of assistance given by SAIL; and

(c) the steps proposed to be taken by the Government to bring it out of red?

## Answer

MINISTER OF STATE FOR STEEL (SHRI BRAJA KISHORE TRIPATHY)

(a)to(c): A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (A) TO (C) OF LOK SABHA STARRED QUESTION NO.118 TO ANSWERED ON 26/11/2001 TABLED BY S/SHRI Y V RAO AND AJAY SINGH CHAUTALA REGARDING LOSSES INCURR SAIL

(a) During the first half of the current fiscal year Steel Authority of India Limited (SAIL) has incurred a loss of Rs.704.44 crore as against the loss of Rs.520.11 crore in the corresponding period of last year. Thus there is an increase in loss by 35.4%.

(b) SAIL is incurring losses due to the following reasons:

- Continued stagnation in demand for steel due to general slow down in the economy;
- Low sales realization resulting from excess supply in the market;
- Sluggish exports due to anti-dumping action abroad;
- High capital investment in the modernisation projects leading to increased expenditures on interest and depreciation;
- Higher manpower costs; and
- Financial support to loss making subsidiaries i.e. IISCO and MEL.

(c) Government has taken the following steps to bring SAIL out of red:

i) A Financial cum Business restructuring package had been approved for SAIL, which inter-alia included the following:

- Waiver of loans advanced from Steel Development Fund (SDF) amounting to Rs.5073 crore and from the Government of India amounting to Rs.381 crore.
- Government of India guarantee with 50% interest subsidy for loan amounting to Rs.1500 crore to be raised by SAIL for implementation of Voluntary Retirement Scheme (VRS) and Rs.1500 crore for payment of past loan of 1999-2000.

ii) Under the business-restructuring component of the revival package, SAIL is to concentrate on core business only whereby it is to enter into joint venture partnerships for the following non core/non-viable assets/units:

- Captive Power Plants-II of BSP, DSP and RSP, Captive power plant - I & II of BSL.
- Oxygen Plant -2 at Bhilai Steel Plant.

- Fertilizer Plant at Rourkela Steel Plant.
- Conversion of IISCO in joint venture with SAIL holding minority share holding.
- Salem Steel Plant, Alloy Steel Plant and Visvesvaraya Iron and Steel Ltd.

iii) The following other measures are being/have been taken to improve the profitability of SAIL:

- Intensive cost control drive, which envisages improvement of key techno-economic parameters.
- Introduction of a new Voluntary Retirement Scheme (VRS) in February, 2001 under which 6510 employees have been separated;
- Market oriented product-mix with emphasis on customers satisfaction , increasing sales network and focus on quality improvement.